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Global Agricultural Information Network

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Report Highlights:

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General Information:

Welcome to the Russian Agricultural Policy and Situation Bi-Weekly Update, a summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within Russia, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

Federal Budget Expenditures for Agriculture in 2017: The Federal Budget of the Russian Federation for 2017 and the Planned Period 2018 and 2019 was adopted by the Federal Law 415-FZ of December 19, 2016. The total Russia's federal budget expenditures in 2017 are planned at 13.48 trillion rubles (approximately \$211 billion at the exchange rate 64 rubles per \$1), including 214 billion rubles (approximately \$3.34 billion) are planned for the Ministry of Agriculture (less than 1.6 percent of all federal budget expenditures).

Minister Alexander Tkachyov first announced the intention to redesign the agricultural support programs in July 2016, and the State Program of Agricultural Development was reshaped in 2017 Federal budget. The most significant change from 2016 is that the 54 different subsidies the regions received from the Federal budget have been merged to seven major budget lines, described as "unified agricultural subsidies". Agricultural authorities in the regions will define priority projects and distribute the funds to producers. State support remains focused on reducing the cost of capital and creating incentives for private investments to the sector. The GOR plans to spend 91.7 billion rubles for the sub-program "Encouragement of Investment in Agriculture", which includes spending of: 1) 58.8 billion for investment credits; and 2) 11.5 billion CAPEX (capital expenditure) reimbursement for pre-selected projects; and 3) 21.3 billion for subsidized loans for agricultural producers – the new tool to facilitate access to loans at 5 percent interest rate. In addition, 55.310 billion rubles have been allocated to the second major sub-program called the "Development of Sub-Sectors in Agriculture". The priorities of this sub-program are dairy cattle farming support (7.96 billion rubles), production of grain and vegetables (11.34 billion rubles) and support of the regional agricultural development programs (36 billion rubles). The sub-program "Irrigation and Land Improvement" is continued and allocated 11.3 billion rubles. In addition to the subsidies to the regions, 7.1 billion rubles for "Supporting the General Conditions of Agricultural Operations" (state purchases of agricultural products and veterinary medicines), 5 billion rubles are allocated for increasing the charter capital of Rosselkhozbank, and 74 million - for new sub-program "Priority project "Export of Agricultural Products".

The consolidation aims to improve coordination between the federal and regional budgets, reduce administration costs, reduce delays in funding, and provide more discretion to the regions in terms of setting the priorities. The GOR intention remains to provide the major portion of funds to the most developed regions and continue to support the most efficient producers to ensure the effective use of the funds.

Besides the Ministry of Agriculture, some other agencies also receive funding for the maintenance/development of agriculture or some agriculture related programs. The Federal Service for Veterinary and Phytosanitary Surveillance will receive 11.5 billion rubles (\$179.3 million), the Federal Fishery Agency – 14.3 billion rubles (\$223 million), and the Federal Forestry Agency – 27.45 billion rubles (\$429 million). The text of the Federal Law 415-FZ of December 19, 2016 was published on the site http://www.consultant.ru/document/cons_doc_LAW_209150/.

AgMinister Tkachyov Announces Priorities for Agricultural Sector for 2017: According to *RIA Novosti*, Minister Tkachyov stated that the Ministry of Agriculture is going to concentrate on improving measures of state support and implementation of new measures in 2017, such as preferential credits and unified subsidy. In addition, the Minister announced that “we have to develop applied science in agriculture, selection and genetics, irrigation and land improvement and stimulate processing of raw material”. The Minister also mentioned that special attention will be paid to the epizootic situation and phytosanitary and veterinary surveillance.
<http://kvedomosti.ru/news/tkachev-rasskazal-na-chem-minselxoz-sosredotochit-usiliya-v-2017-godu.html>

GOR Approved a Plan for Modernization and Development of Port and Fishery Infrastructure: On December 27, 2016, GOR approved Resolution #2851-p that envisages a plan of activities aimed at modernization and development of port and fishery infrastructure. The measures stipulated provide for increasing efficiency of use of state-owned sea terminals for servicing the fishery fleet, developing a strategy for sea terminals, and preparing proposals on the implementation mechanism and finance of investment projects when constructing and renovating hydraulic engineering constructions at sea terminals. The document also foresees the use of state and private partnership for attracting investments, such as by concluding concession agreements with the government. The document emphasizes the need to reconstruct sea terminals and construct new hydro technical facilities in accordance with the requirements set for the complex servicing of fishery vessels. Relevant government agencies are tasked to work out methods of financing the required projects.
<http://government.ru/docs/25965/#>
<http://government.ru/media/files/NSpjmgslwoYEBsBKexmKUOU7Hi0yMSr.pdf>

Government Approved Resolution on Credits for Agricultural Producers at a Preferential Rate: On December 29, 2016, GOR approved Resolution #1528 by which, starting from January 2017, the government will provide subsidies to banks which provide short term and long-term loans to agricultural producers at the government-fixed five percent interest rate. The new rules aim at improving the financial performance of agricultural businesses by changing the existing model of interactions between the government, banks, and producers. This measure is aimed to increase access of agricultural enterprises to credits and lower the financial burden on agricultural producers. The rules envision that subsidies will be provided to systemically significant Russian credit institutions, and also the Russian credit institutions which are selected by the Ministry of Agriculture of the Russian Federation. Rules also approve selection criteria of such authorized banks. In particular, selection criteria provided that a bank owns assets in the amount of at least 20 billion rubles, and in addition has specialized credit products and programs for the agro-industrial sector.

The rules will stimulate banks to offer up to 1 billion ruble loans for one year for operational needs of crop, livestock and dairy farmers, as well as up to 10 billion ruble long-term loans for investment

projects, both at five percent maximum interest rate. Long-term, subsidized loans for creation and modernization of greenhouses, orchards, vineyards, poultry and swine processing plants, and storage facilities for potatoes, fruits, vegetables, grain seeds are planned for a loan tenure of from two to eight years. Subsidized loans for beef and dairy cattle projects are intended for a payback period of from two to 15 years. According to the Resolution, the government commits to reimburse the difference between the five percent interest rate and the interest rate which corresponds to the bank's requirements for credit approval. To define the responsibilities of the banks and the commitments of the authorities, the parties will sign specific agreements for each particular project. The new rules are intended to eliminate investors' risks related to delays of subsidy payments by the government. The negative impact of any disruptions of state budget implementation will be transferred from final borrowers to the lenders and the government.

On January 18, 2017, Ministry of Agriculture signed an agreement with Rosselkhozbank on joint implementation of the preferential credit program for agricultural organizations.

<http://government.ru/docs/25950/#>

<http://www.mcx.ru/news/news/show/58148.355.htm>

Ministry of Agriculture Develops Regulation on Implementation of a New Mechanism of Support for the Construction of Fishery Vessels Using Investment Quotas: The Ministry of Agriculture has developed a new mechanism of support for fishery vessels construction and fish processing facilities using investment quotas. Currently the draft regulation is pending approval at the GOR. The rules will support allocation of up to 20 percent of quotas of production (catch) of fish and seafood for investment purposes, including for construction of fish harvesting vessels (up to 15 percent) and fishery processing facilities (up to 5 percent). The mechanism is intended to allow for reduced administrative barriers and promote growth of investments into the construction of fish processing vessels at Russian shipyards.

<http://www.mcx.ru/news/news/show/57892.355.htm>

Presidential Council for Strategic Development and Priority Projects Approved [Passport for Priority Project 'Export of Agricultural Production'](#) on November 30, 2016: The Project objective is to increase total value of the Russian agriculture export from current \$16.9 billion in 2016 to \$19 billion in 2018, to \$21.4 billion in 2020 and up to projected \$30 billion in 2025. The duration of the Project: November 2016 through December 2020. The total budget for the project in is 2408.45 million rubles (\$40.13 million) with 728.43 million rubles (\$12.14 million) in 2017.

Russian Food Price Inflation in 2016 was 4.6 percent versus 14 percent in 2015: Total consumer price inflation in 2016 was 5.4 percent (12.9 percent in 2015) according to [Rosstat report](#). This is the lowest rate since 2011, when it was 3.9 percent. However, prices for butter, milk products and fish have increased 20.5 percent, 9.5 percent and 8.6 percent respectively in 2016. Vegetables, sugar and eggs prices fell 6.8 percent, 6.0 percent and 0.7 percent respectively. The Russian Ruble exchange rate has changed from 78 rubles per U.S. dollar in January 2016 to 62 in December 2016. Real disposable income fell 5.6 percent in November year-on-year in Russia, as the Federal Statistics Service (Rosstat) reported on December 19, 2016.

[Supreme Eurasian Economic Council Summit](#) took place in St.-Petersburg on December 26, 2016: The meeting was attended by the presidents of the Republic of Armenia, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation. During the meeting, the presidents discussed issues related to further development of Eurasian economic integration and approved launching of the

negotiation process for free trade agreements with Iran, Egypt, India and Singapore. The unified EAEU Customs Code was signed by the presidents of the four Union member States and it was sent for signature to the Republic of Belarus. The new EAEU Customs Code replaces the Customs Code approved by the Customs Union Council (Russia, Belarus and Kazakhstan) Decision No.17 of November 27, 2009. Please see our [GAIN report RS1511](#) on this issue.

Facility for Packing Honey Starts Operation in Almaty Region: Interfax-Kazakhstan reports that on January 12, 2017, a honey packing facility started its operation in Alakol district of Almaty region. An investment of \$3.8 million was made in the project implemented by Lepsy Onimderi (Lepsy Products) LLP. Interfax also reports that another project in agriculture has been implemented in Panfilov district of Almaty region. Exim Base completed the construction of a corn storage facility with capacity of 15,000 MT with one billion tenge invested in the project. Exim Base specializes in warehousing and transport support activities.

Interfax-Kazakhstan also reports about construction of a cereal factory in Kostanai region in 2018: Torgai Ayan LLP, an agricultural company, will start building in late 2017 a cereal packaging factory in the Zhitikara industrial zone in the Kostanai region. Reportedly, the cost of the project totals \$186,000. Construction of the factory is scheduled to be completed in 2018.
<http://www.interfax.kz>

Interfax-Kazakhstan reports with a reference to the regional Governor's office that Zharkent-Fruit LLP plans to open a sorting plant for fruit and cold storage worth \$8.8 million in the Panfilov district of Almaty region in 2017: Zharkent-Fruit laid out orchards on the area of 1,110 hectares in 2016, including 578 hectares of apples, 405 hectares of cherries, 74 hectares of peaches, 40 hectares plum and 13 hectares of pear. The total production area of orchards in the Panfilov district is estimated at 2,005 hectares, including 176 hectares of vineyards.
<http://www.interfax.kz>